

Tax Help in Caring for Your Aging Parent

By Judith S. Parnes, L.C.S.W., C.M.C

Millions of adult children find themselves caring for their aging parents, which often times includes financially supporting them as well. Tax laws offer some relief, as long as you and your parents meet specific criteria. The key to Internal Revenue Service assistance in caring for an elderly relative is related to whether you can claim your parent as a dependent. Any dependent must meet certain tests. While there is apparently some flexibility when dealing with dependent children, fewer exceptions are granted when the potential dependent is a parent. Only if you and your parent meet IRS requirements, will you be able to claim an added personal exemption on your income tax return.

Exploring whether you can claim your parent as a dependent is related primarily to the amount of taxable income your elderly parent receives. Since Social Security is typically excluded (since not taxable), only if your parent has other sources of income from for example, interest or dividends, would it count as taxable income. The maximum amount that a dependent parent can earn cannot be more than the exemption amount, which in 2008 was \$3,500.00. In 2009, this amount has been increased to \$ 3650.00.

Because of the disciplined saving behaviors of many older adults, it may mean that even those individuals with very limited income have been able to amass a small cushion that will now affect your ability to claim them as a dependent.

The other significant criteria that is often misunderstood and would need to be met, relates to the actual amount of financial support you are providing your parent. To be deemed a dependent for tax purposes, your parent must get more than half of his or her support from you. Social Security is counted in this circumstance, meaning that you would need to be contributing 50% to your parents expenses, after their Social Security benefit. For example, if your parent receives Social Security in the amount of \$800.00/month, and you are contributing financial support to cover his or her expenses that are greater than \$1600.00/month, she could be claimed as a dependent.

Discussion with your accountant is certainly recommended in order to review both you and your parents specific financial circumstances. An elder care consultant can also assist by mapping out other areas for elder life planning including alternative housing arrangements, community services and improving communication. Only by being an educated consumer can we better plan for our elder life.

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